

Statement of

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Good morning Chairman McCaul, Ranking Member Etherage, and Committee Members.

My name is Donna Marie Dannels, and I am the Acting Deputy Director of Recovery at FEMA. I am here representing Secretary Chertoff and Director Paulison. It is an honor to appear before this subcommittee to discuss our individual assistance program and FEMA's efforts to provide assistance to individuals and families affected by Hurricanes Katrina and Rita.

FEMA appreciates the opportunity presented by this subcommittee to discuss the changes which FEMA has already implemented in delivering grant assistance. Like the suggestions of the Inspector General, our own reviews, and those which came out of a similar hearing four months ago in the Senate, several issues have been raised which should be addressed to strengthen the Individual Assistance program.

FEMA identified many of these issues soon after the implementation of expedited assistance, and has already taken steps to correct them. While the Government Accountability Office (GAO) is just releasing its final report on Expedited Assistance, the issues are not new. FEMA, as the program owner, is extremely concerned about the issues in providing expedited assistance, which is why we have initiated and are currently carrying out a number of improvements. These include the implementation of identity verification for phone registrations, a reduction of the dollar amount of expedited assistance, and an elimination of the use of debit cards.

Katrina and Rita tested our programs and processes as never before. Yet, these same programs and processes have provided nearly \$7.3 billion to over 3 million victims of the 2005 hurricane season. Even as we prepare for the upcoming hurricane season and respond to the over 40 declared major disasters that have impacted the country since last September, FEMA continues to fund and facilitate an aggressive recovery strategy and work with our partners to rebuild the Gulf Coast.

FEMA consistently strives to assess and improve its performance and delivery of assistance in disasters. We appreciate the efforts of the Inspector General and GAO to help us identify control weaknesses, so that we can continue to improve delivery of our programs, while remaining effective stewards of taxpayer funds. While we welcome having this dialogue it is important that we remember the situation we faced in the days immediately following landfall. In the immediate aftermath of Hurricane Katrina, hundreds of thousands of people were displaced from their homes, family members were separated or missing and an entire metropolitan area had suffered from one of the greatest natural disasters in the history of the United States. It was in this environment that FEMA was faced with providing assistance to individuals to meet their basic emergency needs for lodging, clothing, medication, and fuel, while at the same time, working with our Federal, tribal, State, local and private sector partners to meet longer-term needs. In Katrina, we were presented with a population that had, in a matter of hours, lost nearly everything. People were being rescued from rooftops and showing up in congregate shelters, sometimes without even a shirt on their back, and without identification of any kind. In Rita, we were presented with a geographic area that

had just suffered through two massive hurricanes that overwhelmed our nation's disaster response system.

As was the case with these hurricanes, when the magnitude of a disaster is so severe that normal recovery processes cannot immediately get underway, FEMA can activate a policy under the Individual and Households Program (IHP) to provide emergency assistance to accelerate the disbursement of disaster assistance for immediate sheltering and emergency needs.

Expedited assistance provided under the IHP is made available only for a short period of time following the disaster to meet immediate needs. This emergency assistance allows for a pre-inspection disbursement of funds to an individual household, based on information gathered from the applicant during the registration process that meets the following criteria:

- the registration must be for the primary residence only;
- the registrant must be displaced due to the disaster; and
- the registrant is in need of shelter.

If these criteria are met, emergency assistance is provided when the magnitude of the event demands it. It is normally not implemented under the Individual and Households Program. Hurricanes Katrina and Rita, however, were catastrophic events that prompted FEMA to authorize \$2,000 in assistance to eligible households to be used for emergency purchases until normal recovery programs became operable. This amount of assistance was authorized for all eligible households that met the criteria within the declared states where EA was implemented. For Hurricane Katrina, EA was activated in the States of Louisiana on September 7, 2005, Mississippi on September 8, 2005, and Alabama on September 9, 2005. It was deactivated in all states on September 26, 2005. As of June 9, 2006, 47 percent of Hurricane Katrina registered households received EA. Following Hurricane Rita, EA was activated in the States of Louisiana and Texas on September 27, 2005, and deactivated on October 21, 2005. As of June 9, 2006, 42 percent of the registered Hurricane Rita households received EA. Applicants receiving EA in Hurricane Katrina were ineligible for EA in Hurricane Rita. In total, 45 percent of the Hurricane Katrina and Rita applicants received expedited assistance.

EA is an accelerated method of dispersing initial IHP disaster assistance to meet immediate emergency needs. When an individual or household receives EA funding, it counts against the maximum IHP cap of \$26,200 that they may receive.

EA has previously only been used in a very limited number of disaster situations, where the need for immediate assistance surpassed the in-place and surge capabilities to provide assistance, and when it was clear victims could not return to their homes immediately following the disaster. It was first used in 1992 in response to Hurricane Andrew and was also implemented during the 1994 Northridge earthquake, which, prior to the hurricanes of 2004, had been FEMA's largest disaster in terms of the number of applicants.

One of FEMA's top priorities is the quick and efficient delivery of assistance to as many eligible victims as possible. However, in meeting that goal, we realize that some individuals may receive assistance in error, or unfortunately, because they have intentionally tried to defraud the American people. As a part of our "recoupment" process, FEMA, and in this case, the Inspector General review grants awards. FEMA makes every effort to recover overpayments and if fraud is suspected FEMA refers the case to the appropriate authorities for prosecution.

At this point, excluding prosecutions carried out by the Department of Justice, FEMA has determined that 6,110 Katrina and Rita applications are undergoing recoupment actions, although not all of these are based on fraud. Additionally there are another nearly 40,000 cases under review for potential recoupment. In reviewing the GAO report on EA, it is significant to note that many of GAO's findings were already uncovered by FEMA's internal review and our review with the Office of Inspector General. FEMA, in fact, has gone to great lengths to ensure that it is a good steward of the taxpayers' dollar by deterring fraud, while still allowing applicants who are in serious need of assistance to receive it quickly and appropriately. Our efforts at proper stewardship of public funds continue to this day. FEMA has already made significant improvements in our delivery processes to prevent fraud, waste and abuse and is well into the recoupment phase for the improper payments made to Hurricanes Katrina and Rita victims.

In addition, to put GAO's report on Expedited Assistance into context, the committee must understand that GAO utilized a non-random sample of 248 registrations from applicants with duplicate registrations and those that received multiple payments. Since the vast majority of our applicants were not duplicates, GAO's sample is not representative of the implementation of the IHP or the EA program. It is also worth noting that for Hurricane Katrina and Rita, FEMA took more than 2.5 million registrations; therefore, GAO's sample of 248 is only .01 percent of the total applications received. Further, what may appear to GAO as duplicative payments under IHP, may in fact be authorized payments under the "separated households" policy for Hurricanes Katrina and Rita. Because of the widespread dispersion of individuals and families across many states, FEMA instituted the separated household policy where more than one member of the household could receive expedited and or rental assistance to meet their needs while they were separated. In our view, this was a more humane way of treating these victims and ensuring that individuals who had lost everything were not penalized simply because they could not be geographically situated with their immediate family members.

The GAO report indicates that all applicants eligible for the \$2,000 in EA are also eligible for up to \$26,200 under IHP. GAO describes expedited assistance as a "gateway to further IHP payments". This is an overstatement.

Applicants for EA had to provide answers to specific questions concerning their disaster-related needs, as well as state that their damaged residence was located in the disaster area and damaged by the disasters in accordance with State and Federal laws. Because of the immediacy of the crisis caused by Katrina and Rita, time was of the essence in

getting emergency assistance to the victims. For all other payments, however, including the \$2,358 transitional housing payments, geospatial payments, and traditional IHP payments, FEMA took more time to ensure that eligibility requirements were met including verifying occupancy of the damaged dwelling at the time of the disaster. Any additional IHP assistance was then provided only after an in-person inspection was performed at an actual address or the applicant's occupancy was verified by a data verification contractor, and additional documents were verified by FEMA and signed by the applicant. Even though these measures were intended to minimize overpayment due to fraud and errors, we are aware they were not successful in every case. We continue to evaluate the systems and processes put in place for the first time in this unprecedented event in order to make further improvements.

The GAO report references "isolated incidents" where EA debit cards were used to purchase goods and services that did not appear to meet serious disaster-related needs. While we are similarly concerned by the inappropriate use of these funds, these purchases represent a fraction of the overall assistance provided. These questionable purchases in the GAO review total just under \$8,000, or 0.02%, of nearly \$39 million in transactions processed by one bank. These purchases represent questionable judgment on the part of the recipient; however, by highlighting those limited expenditures, GAO suggests flaws in FEMA's controls in providing expedited assistance. In fact, FEMA continues to develop guidance and control measures to prevent the inappropriate use of all of its funds, including expedited assistance. Efforts to completely prevent misuse should be properly balanced against the need to provide assistance to the truly needy.

Through effective planning, enhanced internal controls and a more systematic use of technology, FEMA can limit waste, fraud, and abuse. FEMA recognizes that even with the controls in place, there is room for improvement. During the 2005 hurricane season, FEMA was proactively implementing more stringent controls concerning fraud and identity verification, including:

- in October 2005, launching a new internet registration application that disallows *any* duplicate registrations;
- in February 2006, adding identity proofing to the call center registration application that will insure that *all* IHP registrations are subjected to the same criteria as the online application. This includes social security number verification.
- amending systems to ensure no automated payments are sent to applicants who failed the identity proofing process;
- sending all applications taken over the phone, from August 2005 until February 2006 to FEMA's data contractor for identity proofing and reviewing those that failed for possible recoupment or referral to the Office of the Inspector General;
- data-marking any applications in NEMIS that fail identity proofing so they may be flagged for review and denied automated payment;
- introducing real-time interaction between the FEMA service representative and the applicant during registration to ensure that the data are entered correctly before accepting the application.

With these new processes in place, we still need to take into consideration those families and individuals that may not have traditional means of identity and occupancy verification. For those registrations sent to a "duplicate investigation queue" for additional review and resolution, there were significant delays in FEMA providing expedited assistance. Such delays, of course, can seriously impact victims who have lost all possessions. FEMA strives to find the appropriate balance of providing timely assistance while taking the necessary precautions to ensure against fraud, waste, and abuse.

Additional changes were and continue to be made to the NEMIS software, that include:

- not allowing *any* registration to be accepted when a registrant has the same social security number as another registrant in the same disaster, and
- in addition to identity verification, verifying ownership and occupancy through FEMA's data during the registration process.

We appreciate the time and effort the GAO staff has put into this report. The investigative research they have conducted and the resulting suggestions not only serves as a guide for us to continue to improve our processes, but have also helped to highlight the value and the types of assistance FEMA provides to applicants following disasters. FEMA remains committed to ensuring fiscal integrity and will do all we can to ensure the effective and efficient use of the taxpayer's dollar and protect against fraud, while performing our agency's critical missions to our citizens at their time of need.

Thank you again for the opportunity to appear before you. I am prepared to answer any questions you may have.